

Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 284</h1> <p>DCP Title: The application of scaling to generation credits in the CDCM</p> <p>Date raised: 12 October 2016</p> <p>Proposer Name: Johannes Nowak</p> <p>Company Name: MVV Environment Services Limited</p> <p>Company Category: Supplier</p>		<p>01 – Change Proposal</p> <p>02 – Consultation</p> <p>03 – Change Report</p> <p>04 – Change Declaration</p>
<p>Purpose of Change Proposal:</p> <p>The intent of this change proposal is to amend the calculation of credits for embedded generation to more closely reflect the benefits they bring to Distribution Network Operators by including an element of scaling.</p>		
	<p>Governance:</p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> Part 1 Treated as a Standard Proceed to Working Group <p>The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	<p>Impacted Parties: DNOs, Distributed Generation/ Suppliers</p>	
	<p>Impacted Clauses: Schedule 16 (CDCM)</p>	

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9	Recommendations	7	Johannes Nowak
Indicative Timeline			 email address:
<i>The indicative timeline will be updated by the Code Administrator.</i>			Johannes Nowak
			johannes.nowak@mvv.de
			 telephone
The Secretariat recommends the following timetable:			Other:
Initial Assessment Report	19 October 2016		Insert name
Consultation Issued to Industry Participants	TBC		 email address.
Change Report Approved by Panel	15 February 2017		 telephone
Change Report issued for Voting	17 February 2017		Other:
Party Voting Closes	10 March 2017		Insert name
Change Declaration Issued to Parties	14 March 2017		 email address.
[Change Declaration Issued to Authority]	14 March 2017		 telephone
[Authority Decision]	10 April 2017		Other:
Implementation	1 April 2019		Insert name
			 email address.
			 telephone

1 Summary

This change proposal address the issue of whether scaling or some element of scaling should be applied to credits for embedded generation within the CDCM

Why

This change proposal suggests that the application of scaling when determining credits under the CDCM could improve the cost reflectivity of generation credits for embedded generators. More cost reflective credits for generators will place incentives on embedded generation that reflect the benefits they bring to network operators.

How

The proposed solution is:

- to apply [50%] of scaling when calculating credits for embedded generators in the CDCM

2 Governance

Justification for Part 1 and Part 2 Matter

This issue is considered a part 1 matter as it affects the level of charges for embedded generation and therefore impacts on competition for embedded generation as specified under 9.4.2 (A).

Requested Next Steps

This Change Proposal should:

- Be treated as a Part 1 Matter
- Be treated as a Standard
- Proceed to Working Group

3 Why Change?

Under the CDCM, generation credits reflect demand charges at voltage levels above the voltage of connection, except for the application of scaling. During the development of the CDCM, scaling was excluded from the derivation of credits as the costs included within scaling were not seen to be avoided through the presence of embedded generation.

The recent DCUSA change proposal (DCP228) that has been approved by the Authority amends the way in which scaling is applied to demand charges. This change proposal provided more detail on what costs are recovered via scaling.

The DCP 228 change report identified the costs that are recovered via scaling mainly comprise of asset replacement and a portion of indirects costs. Paragraph 3.5 from the DCP228 change report is replicated below to provide clarity:

“3.5 DCP 228 is intended to be clearer in explaining that the shortfall or excess of revenue recovered from pre-scaled yardstick tariffs is a natural consequence of the incremental design of the CDCM. As the

accompanying spreadsheet (Attachment 5) demonstrates, the CDCM recovers significantly more in peak charges than DNOs expect to spend on network reinforcement for the foreseeable future. This is because the CDCM provides incremental cost signals rather than total cost signals. Similarly, there are DNO costs which are not included in the CDCM (such as replacement costs and a portion of indirect costs), however these are not 'unidentified' as the DCP 123 form suggested, but rather they are **intentionally** excluded from the CDCM for the purpose of deriving the desired incremental cost signals. This CP is therefore clear in its intent that scaling should not be used to allocate any cost not included within the CDCM, but should rather be applied in a way which maintains the incremental cost signals produced by the pre-scaled tariffs."

The value of indirect costs is unlikely to change depending on the level of demand or generation on the distribution network and it is therefore appropriate to not provide a credit to generation customers in this respect.

This change proposal considers the costs associated with the replacement of assets within scaling which, although it may not be an incremental cost for demand customers, is potentially an area of saving for DNOs through the connection of embedded generation.

DNOs replace assets as they reach the end of their useful life. If embedded generation is installed then the potential benefit to the DNO is that the asset may not need to be replaced as it is no longer required or the asset can be replaced with a smaller capacity asset which is therefore cheaper. The degree to which this occurs will vary depending on the type of generation, the degree to which it can be relied upon by the DNO and the arrangement of the network to which the generator is connected.

4 Solution and Legal Text

This change proposes to allocate an element of the scaling to generation by applying 50% of scaling as generation credits. The proposed value of 50% is an initial value which will better meet the DCUSA objectives than the status quo, but we would look to the working group to gather evidence as to the actual level that could be implemented under this chance proposal.

We have identified that paragraphs 89 to 95 of schedule 16 will need to be amended to implement this change, but have not proposed new legal text as this will need to change to take account of the implementation of DCP 228.

5 Code Specific Matters

Reference Documents

N/A

6 Relevant Objectives

DCUSA Charging Objectives	Identified impact
Please tick the relevant boxes. [See Guidance Note 10]	

<input type="checkbox"/> 1 that compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	None
<input checked="" type="checkbox"/> 2 that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences) <input checked="" type="checkbox"/> 3 that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business	Positive
<input type="checkbox"/> 4 that, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business	None
<input type="checkbox"/> 5 that compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None
<p>This change proposal better meets charging objective two as the more cost reflective tariffs will provide a more accurate price signal which will result in a more efficient dispatch of plant and the siting of plant within the distribution network. Both of these will result in the promotion of effective competition in generation.</p> <p>This change proposal better meets charging objective three as it increases the cost reflectivity of tariffs within the CDCM by awarding credits to embedded generators that more closely reflect the benefits they bring to DNOs and thereby encourages the development of efficient, co-ordinated and economical distribution networks.</p>	
<p>DCUSA General Objectives</p> <p>Please tick the relevant boxes. (See Guidance Note 9)</p>	Identified impact
<input type="checkbox"/> 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	Positive

<input type="checkbox"/> 2 The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity	Positive
<input type="checkbox"/> 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	None
<input type="checkbox"/> 4 The promotion of efficiency in the implementation and administration of the DCUSA	None
<input type="checkbox"/> 5 Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

7 Impacts & Other Considerations

There will be no cross-code impact.

This change will potentially increase the level of credits to embedded generators which will result in a small increased cost to consumers. The increased level of credit will impact renewable generation which will potentially encourage the take up of renewable power and therefore lead to environmental benefits.

Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

N/A

Does this Change Proposal Impact Other Codes?

Please tick the relevant boxes and provide any supporting information. [\[See Guidance Note 6\]](#)

- BSC
- CUSC
- Grid Code
- MRA
- SEC
- Other
- None

Consideration of Wider Industry Impacts

This change proposal was discussed at the October Methodologies Issues Group (MIG) where some participants suggested that the change should be incorporated into the CDCM review. The proposer wishes to proceed with this as a standalone change proposal to ensure it is progressed in a timely manner.

Confidentiality

This change proposal is not confidential

8 Implementation

This change proposal should be implemented in April 2019, which should provide sufficient time for the working group to assess the change.

Proposed Implementation Date

April 2019

9 Recommendations

The Code Administrator will provide a summary of any recommendations/determinations provided by the Panel in considering the initial Change Proposal. This will form part of a Final Change Report.

Part C: Guidance Notes for Completing the Form

Ref	Section	Guidance
1	Attachments	Append any proposed legal text or supporting documentation in order to better support / explain the CP.
2	Governance	<p>A CP must be categorised as a Part 1 or Part 2 matter in accordance with Clause 10.4.7 of the DCUSA. All Part 1 matters require Authority Consent.</p> <p>Part 1 Matter</p> <p>A change Proposal is considered a Part 1 Matter if it satisfies one or more of the following criteria:</p> <p>a) it is likely to have a significant impact on the interests of electricity consumers;</p> <p>b) it is likely to have a significant impact on competition in one or more of:</p> <ul style="list-style-type: none"> i. the generation of electricity; ii. the distribution of electricity; iii. the supply of electricity; and iv. any commercial activities connected with the generation, distribution or supply of electricity; <p>c) it is likely to discriminate in its effects between one Party (or class of Parties) and another Party (or class of Parties);</p> <ul style="list-style-type: none"> i. it is directly related to the safety or security of the

		<p>Distribution Network; and</p> <p>ii. it concerns the governance or the change control arrangements applying to the DCUSA; and</p> <p>iii. it has been raised by the Authority or a DNO/IDNO Party pursuant to Clause 10.2.5, and/or the Authority has made one or more directions in relation to it in accordance with Clause 11.9A.</p> <p>Part 2 Matter</p> <p>A CP is considered a Part 2 Matter if it is proposing to change any actual or potential provisions of the DCUSA which does not satisfy one or more of the criteria set out above.</p>
3	Related Change Proposals	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.
4	Proposed Solution and Draft Legal Text	<p>Outline the proposed solution for addressing the stated intent of the CP. The Change Proposal Intent will take precedence in the event of any inconsistency. A DCUSA Working Group may develop alternative solutions.</p> <p>The plain English description of the proposed solution should include the changes or additions to existing DCUSA Clauses (including Clause numbers).</p> <p>Insert proposed legal drafting (change marked against any existing DCUSA drafting) which enacts the intent of the solution. The legal text will be reviewed by the Working Group (if convened) and is likely to be subject to legal review as part of its progress through the DCUSA change process.</p>
5	Proposed Implementation Date	<p>The Change can be implemented in February, June, and November of each year or as an extraordinary release. For Charging Methodology CPs, select an implementation date which takes into consideration the minimum notice periods for publishing tariffs. These are:</p> <ul style="list-style-type: none"> • 15 months, for DNOs acting within their Distribution Services Areas; or • 14 months, for IDNOs and DNOs acting outside their Distribution Services Area. <p>Please select an implementation date that provides sufficient time for the Change to be incorporated into the appropriate charging model and the DCUSA in order to be reflected in future tariffs.</p> <p>Contact the DCUSA helpdesk for any further information on the releases dcusa@electralink.co.uk.</p>
6	Impacts & Other Considerations	Indicate whether this Change Proposal will be impacted by or have an impact upon wider industry developments. If an impact is identified, explain why the benefit of the Change Proposal may outweigh the potential impact and indicate the likely duration of the Change.

7	Environmental Impact	Indicate whether it is likely that there would be a material impact on greenhouse gas emissions as a result of the proposed variation being made. Please see Ofgem Guidance .
8	Confidentiality	Clearly indicate if any parts of this Change Proposal Form are to remain confidential to DCUSA Panel (and any subsequent DCUSA Working Group) and Ofgem
9	DCUSA General Objectives	Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.
10	Detailed Rationale for DCUSA Objectives	Provide detailed supporting reasons and information (including any initial analysis that supports your views) to demonstrate why the CP will better facilitate each of the DCUSA Objectives identified.
11	DCUSA Charging Objectives	Indicate which of the DCUSA Charging Objectives will be better facilitated by the Change Proposal. Please note that a CDCM or EDCM change may also facilitate the DCUSA General objectives.
12	Defining 'Material' for Charging Methodology Changes	In respect of proposals to vary one or more of the Charging Methodologies, such proposals shall be deemed to be "material" if they might reasonably be expected to have a significant impact on the tariffs calculated under one or more of the methodologies.